



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Jorge Gomez, Commissioner

Wisconsin.gov

December 10, 2004

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Advanced Via Facsimile

Ms. Jane M. Barnett  
President and Chief Executive Officer  
University Health Care, Inc.  
635 Science Drive, Suite 100  
Madison, Wisconsin 53711

Re: Acquisition of Control of Unity Health Plans Insurance Corporation (hereinafter, "Unity") by University Health Care, Inc. (Case No. 04-C29300)

Dear Ms. Barnett:

Thank you for relaying the various biographical affidavits as promptly as they become available. In the course of preparing a recommendation memorandum for this case, I have become aware of the need for some additional facts to inform my understanding of the proposed transaction. In addition, the Office must reiterate its view concerning the proper use of the risk-based capital model developed by the National Association of Insurance Commissioners.

1. Please provide an analysis justifying the proposed transaction as not being anticompetitive. This analysis is intended for use as an exhibit in the upcoming hearing.
2. How did University Health Care, Inc. come to hold an 81.12% economic interest in Community Health Systems, LLC?
3. What agreement or other document mandates the buy out of Blue Cross' 18.88% economic interest in Community Health Systems, LLC in conjunction with the exercise of options by University Health Care, Inc. and Community Health Systems, LLC? Please provide copies of any such agreements or documents.
4. What agreement or other document mandates the redemption of the Term Note that Health Professionals of Wisconsin, Inc. issued to Blue Cross and Blue Shield of Wisconsin in conjunction with the exercise of options by University Health Care, Inc. and Community Health Systems, LLC? Please provide copies of any such agreements or documents.
5. What agreement or other document mandates the redemption of Blue Cross' preferred stock in Health Professionals of Wisconsin, Inc. in conjunction with the exercise of options by University Health Care, Inc. and Community Health Systems, LLC and the amount to accomplish the redemption? Please provide copies of any such agreements or documents.

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6. How long do current provider service rate schedules continue under existing provider agreements in general, and also specifically with respect to the networks of the University of Wisconsin Hospital and Clinics Authority and the University of Wisconsin Medical Foundation, Inc.?

Thank you for your time and consideration. If you have questions on this or any other matter in which I might be of some assistance, please call me at (608) 267-4388.

Sincerely,

Steven J. Junior  
Senior Insurance Examiner  
Bureau of Financial Analysis and Examinations

cc: Richard M. Seligman, Michael Best & Friedrich LLP (via facsimile)  
James Roberts, University of Wisconsin Hospital & Clinics Authority (via facsimile)  
Claudia Sanders, University of Wisconsin Medical Foundation (via facsimile)